

308: Monitoring of Community Service Providers

308.1: Introduction

Effective October 1, 2008, Area Agencies on Aging will conduct monitoring of community service providers in accordance with the requirements specified in this policy and in accordance with:

1. The Older Americans Act, Section 306 (a)(6)(A)
2. Office of Budget and Management Circular A-133
3. 45 CFR 1321.7(a) and 1321.61(b)(1)
4. The Home and Community Care Block Grant Agreement for the provision of County Based Aging Services (DAAS 735)
5. The Division of Aging and Adult Services Home and Community Care Block Grant Manual
6. DAAS Administrative Letter 98-7, Implementation of Revisions to the Single Audit Act Applicable to Monitoring and Audits of Subrecipients
7. DAAS Administrative Letter 98-11, Self Monitoring Guide for Monitoring Area Agencies, Change Notice to Policy Manual, Section 1700
8. DAAS Administrative Letter 12-08 Monitoring of Services Funded by the Home and Community Care Block Grant (HCCBG)
9. NC Department of Health and Human Services Policies and Procedures Manual, Monitoring of Programs

308.2: Monitoring Plan

- A. A **Monitoring Plan** will be developed by each Area Agency on Aging covering the specific period of time covered by the Area Plan. This information will be provided through **Exhibit 14** of the Area Plan, which identifies all community service providers within the Planning and Service Area (PSA) and the respective services each provides. The plan will include all unit-based and non-unit based services. When service providers or services change, the monitoring plan will be updated to reflect changes. Updates will be consistent with area plan amendment time frames. The monitoring plan will identify which community service providers will be reviewed in which year and by whom, (the Area Agency on Aging or Division of Aging and Adult Services staff). Selection of which community service provider will be reviewed is based upon risk and need discussed below in item D.

Annually, as part of the annual contracting process with counties, local providers must 1) complete and submit to the Area Agency on Aging **Exhibit 14A** listing all subcontracts in place to provide community-based services to older adults and 2) submit copies of each subcontract to the Area Agency on Aging for review. This includes contracting for the Home and Community Care Block Grant (HCCBG), Family Caregiver Support Program (FCSP) and any other funds passed to subcontractors. As part of Exhibit 14A, providers must attest that their subcontractor(s) (public and non-profit entities only) has not been:

- “Suspended or Debarred” by the State of North Carolina (<http://www.osbm.state.nc.us>),
- does not owe unpaid taxes to the State of North Carolina (<http://www.epls.gov/>) and,
- does not owe unpaid taxes to the US Internal Revenue Service (<http://www.irs.gov/Charities-&-Non-Profits/Exempt-Organizations-Select-Check>). **IRS website instructions:** click on the “Exempt Organizations Select Check Tool” and then click on “Were automatically revoked” and then search by EIN #, Name, City, State, Zip, or Exemption Type)

The Division of Aging and Adult Services provides prescriptive monitoring instruments for all community-based services. These programmatic monitoring instruments can be found on the DAAS web site at <http://www.dhhs.state.nc.us/aging/monitor/mttools.htm> and are to be utilized by Area Agencies on Aging for monitoring community-based programs for older adults. This site provides both Programmatic Monitoring Tools and Compliance Supplement Monitoring Tools to be utilized by Area Agencies on Aging (or service providers who are monitoring their subcontractors) for monitoring community-based programs for older adults.

OMB Circular A-133 outlines 14 required areas of compliance monitoring by fund source. Complementary tools to the programmatic monitoring instruments are used to document compliance with the relevant 14 compliance requirements and compliance with the conflict of interest requirement for non-profit entities. These tools are to be completed, by funding source, once programmatic monitoring is completed. The results from these reviews are documented in the monitoring report to the community service provider (subrecipient).

- B. **Unit verifications** will be performed as needed but at least every other year for all aging services provided by each community service provider. This process will be conducted on-site. The Area Agency Aging will develop an audit trail from the names/units reported on the Units of Verification Report (ZGA-USV) to the basic source documentation {case files, travel logs, log sheets, time sheets, sign-in sheets, etc.}. This audit trail will be followed for each name/units sampled. In addition to a review of basic source documentation, the Area Agency on Aging (or service provider monitoring their subcontractors) will review client records to verify the eligibility of the clients in the sample who receive services.

A Base Sample will be drawn for each aging service provided by a respective community service provider. The following Base Sample guidelines will be employed:

Total Number of Clients Served By Service	Base Sample Size Per Service
1 – 10 clients	All clients served
11 – 100 clients	No less than 10 of the clients served

101 – 250 clients	10% of the clients served
251 – 500 clients	7% of the clients served
501 – 1000 clients	6% of the clients served
1001 – 2000 clients	4% of the clients served
2001 – or more clients	2.5% of the clients served

If deemed appropriate by the monitor **or** if 10% of the total units reviewed {not client sample} in the Base Sample are found to be ineligible, the sample must be expanded by fifteen (15) new names, or more if needed, and select a different month that the provider has received reimbursement. The number of units sampled per client is left to the discretion of the Area Agency on Aging.

Disallowance of Units is at the discretion of the Area Agency on Aging. However, the following items, if found during monitoring, often constitute disallowance of units associated with the client or service monitored:

- Ineligible units due to a health or safety issue
- Unverified units of service
- Service to ineligible clients

Disallowing units requires the Area Agency on Aging or Service Provider to reduce the number of units reported for reimbursement in the Aging Resources Management System (ARMS). For further guidance, see ARMS Provider User Manual, page 56 at http://www.ncdhhs.gov/aging/arms/manual/ARMS_ProviderUser.pdf

- C. **Fiscal Reviews** will be conducted annually for all subrecipients (i.e. service-providing agencies). The annual Area Agency on Aging Self-Assessment will be used to document that the following requirements have been met:
1. After the fiscal year has closed, determine for each subrecipient (yes or no) if the Single Audit requirement threshold under OMB Circular A-133 will be met for that fiscal year.
 2. Indicate which subrecipients will receive an audit under OMB Circular A-133, and which subrecipients will not meet these audit requirements for the ending fiscal year. For subrecipients that are not required to have an audit, AAAs should complete the Internal Control Questionnaire (ICQ) as part of the fiscal monitoring process. The ICQ can be found on the Division's website at <http://www.dhhs.state.nc.us/aging/monitor/fmtools.htm>.
 3. Indicate (yes or no) that federal awards are used to cover audit cost during the current fiscal year for only those service providing agencies that met the A-133 audit requirements for the previous year.
 4. Following the review of the audit report, the AAA should complete the Audit Review Form and indicate (yes or no) that the AAA has resolved any audit finding(s) with service providing agencies.

For those service-providing agencies that **do not meet** the Single Audit Threshold under OMB Circular A-133 (http://www.whitehouse.gov/omb/fedreg_rev_a133/), the Area Agency on Aging will assure the receipt and review of certifications and

financial reporting forms submitted by providers in compliance with the reporting requirements of N.C.G.S. 143-6.2.

Per DAAS Administrative Letter 06-02, Area Agencies on Aging have the option to complete on-site fiscal monitoring in lieu of receiving the annual reports from local providers. AAAs are required to notify providers in writing 30 days prior to an on-site visit if on-site fiscal monitoring will be conducted.

D. A **Risk-Based Monitoring** approach to monitoring will be employed by each Area Agency on Aging to appropriately determine the intensity and frequency of Programmatic and Fiscal reviews. Each Area Agency on Aging is required to:

1. Develop criteria for determining “risk” and implementing a “risk based” (high, moderate or low) monitoring plan for each service provider agency (subrecipient). See DAAS Administrative Letter 98-7 and DAAS Administrative Letter 13-09 for guidance on risk-based evaluations.
2. Annually, evaluate the level of risk (high, moderate or low) for each service provider agency.
3. At a minimum and regardless of “risk” status, each service provider will receive at least one (1) on-site monitoring visit (either programmatic and/or fiscal) during a three-year timeframe.

In addition, **on-site monitoring** should be performed under the following circumstances:

1. If the AAA and either the office of the county manager or the county board of commissioners agree that an additional monitoring(s) is/are warranted.
2. If the AAA and/or the Division of Aging and Adult Services agree that an additional monitoring(s) is/are warranted.
3. If requested by the community service provider.

On-site monitoring will be performed under the following circumstances:

4. If non-compliance findings are identified and not corrected by the community service provider within the time frames specified in their Corrective Action Plan.
5. If a new community service provider is funded by a county and has no recent history of providing the service.
6. If a service provider is closing out its full contract or a specific service and will no longer be providing service(s) in the subsequent year within that Planning and Service Area.

Review and approval of the Monitoring Plan (Area Plan Exhibit 14 and Exhibit 14A) is the responsibility of the Division of Aging and Adult Services and will follow the process and time frames required to approve regional Area Plans.

- E. **Programmatic Monitoring** will be conducted on each new community service provider providing a service within the Planning and Service Area (PSA). A review will not be needed if the provider is a current provider in another county within the respective PSA or if the provider is a current provider [in good standing] in another PSA. This will be consistent with Section 308.3 of this policy. Programmatic monitoring will be conducted on all community service providers as needed but at least once every three years.

NEED is defined as the AAA's knowledge or perception that a problem exists with a community service provider which has the potential to disrupt service, be an audit exception, and/or violate state or federal policy, laws, etc. Need is determined through the AAA's annual risk monitoring process as defined in DAAS Administrative Letter 98-7 (see section 308.2 D above).

- F. **Subcontractor Monitoring:** Annually, between January 1 and June 1, providers must complete an annual "Subcontractor Performance Evaluation" form on all subcontractors and submit to the AAA. The purpose of the performance evaluation is to establish a regular review process for all community service providers to verify that the subcontractor has met the terms and conditions of their subcontract. The form has five minimum requirements for certain HCCBG services including Adult Day Care, Adult Day Health Care, In-Home Aide, Congregate Nutrition, Home Delivered Meals, Transportation and Housing and Home Improvement. Depending on the subcontract, some items may be "not applicable". A generic Subcontractor Performance Evaluation Form must be used for all other services. These forms also include space for specific language related to the specific subcontract provisions and verification of compliance being met. The AAA will review the Performance Evaluation Form to verify the annual review is completed and will be used in determining the provider level of risk for Exhibit 14 of the Area Plan.

AAAs will monitor providers using the DAAS Service Monitoring tools and according to Exhibit 14 of the AAA Area Plan (a minimum of once every three years or more frequently depending on the level of risk). Services subcontracted (fully or partially) will also be monitored by the AAA through one of the following methods:

Subcontractor Monitoring Method 1	The AAA may monitor a subcontractor (optional: in the presence of the provider) to assure compliance for all service standard requirements that have been assigned to the subcontractor through a legally executed subcontract.
Subcontractor Monitoring Method 2	The AAA and the provider may monitor to assure compliance with all service standard requirements that have been assigned to the subcontractor through a legally executed subcontract.
Subcontractor Monitoring Method 3	The AAA may accept the completed DAAS Service Monitoring Tool(s) and backup source documentation from the monitoring of a subcontractor completed by the provider. This option would require the provider to complete the onsite monitoring of subcontractors prior to the monitoring visit of the AAA on a

	schedule determined by the annual risk monitoring.
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A subcontractor is DEFINED as an entity that has been contracted to do a job within the scope of the service provider's grant award. The subcontractor is accountable for the same requirements as the service provider, depending on the terms of the subcontract.

308.3: Scheduling Monitoring

The Area Agency on Aging will develop written procedures describing the process adopted in scheduling reviews (i.e. on-site or desk monitoring) with community service providers. The monitoring period for on-site visits will begin on or after September 1 and will be completed by April 30. If deemed necessary, follow-up visits to review corrective action must be completed prior to June 30. The following minimal areas will be addressed in the procedures:

1. Conditions or circumstances that would warrant exceptions to the annual time frames.
2. Procedures for sending a written confirmation of the date of the on-site review sent at least 30 days prior to the site visit.
3. Procedures for notifying community service providers of the method subcontracts will be monitored (see Section 308.2 G).
4. Name and position of the Area Agency on Aging staff who normally conduct reviews.
5. Community provider staff who are expected to participate.

Providers of services in more than one Planning and Service Area will be reviewed in accordance with policy. Area Agencies are to share monitoring information and coordinate the review process with the other involved Area Agency(ies) on Aging to avoid duplicate reviews of service providers during any State Fiscal Year.

308.4: Monitoring Reports

- A. The purpose of the monitoring report is to provide timely and meaningful information to the community service provider pertinent to the findings of the on-site review.
 1. The Area Agency on Aging will develop written procedures that describe the process of preparing written monitoring reports based on the on-site monitoring of community service providers.
 2. Monitoring reports from the Area Agency on Aging to their subrecipients must be submitted in writing within 30 days of the on-site visit. Each report contains the following information:
 - a) Name and address of community service provider monitored,

- b) Fund Sources and specific program monitored,
- c) Name and title of monitoring staff,
- d) A summary of the areas reviewed during the site visit and, if applicable, a list of the non-compliance programmatic findings,
- e) acknowledgement of compliance or non-compliance as related to the applicable 14 Audit Supplement Criteria **by funding source (CFDA #)**, which are:
 - ◆ Activities Allowed or Unallowed
 - ◆ Allowable Costs/Cost Principles
 - ◆ Cash Management: *(Not applicable to aging)*
 - ◆ Davis-Bacon Act: *(Not applicable to DHHS)*
 - ◆ Eligibility
 - ◆ Equipment and Real Property Management
 - ◆ Matching, Level of Effort, Earmarking
 - ◆ Period of Availability of Funds
 - ◆ Procurement and Suspension and Debarment
 - ◆ Program Income
 - ◆ Real Property Acquisition and Relocation Assistance: *(Not applicable to DHHS)*
 - ◆ Reporting
 - ◆ Subrecipient Monitoring
 - ◆ Special Test and Provisions
- f) acknowledgement of compliance or non-compliance with the Conflict of Interest policy (non-profit entities only),
- g) a description of relevant findings and areas of non-compliance with recommended corrective action,
- h) any suggestions for improvement and/or technical assistance,
- i) if applicable, the method used to monitor subcontractors and the results of this monitoring (see Section 308.2 G).
- j) and the date a written corrective action is to be received by the AAA (normally within 30 days of the issuance of the monitoring report). If no non-compliance is cited, the monitoring is closed with no further response necessary by the community service provider.

308.5: Corrective Action Plan

- A. The Area Agency on Aging will develop written procedures describing the process requiring local service providers to submit a written Corrective Action Plan when finding(s) of non-compliance are made. The procedure developed will address the following, at a minimum:
 - 1. Circumstances requiring a corrective action plan.
 - 2. Process for advising a community service provider that there is a need for a corrective action plan.
 - 3. Maximum time frames for a community service provider to submit a plan to the Area Agency on Aging.
 - 4. Follow-up action by the Area Agency on Aging once a corrective action plan is received.

- B. Unless otherwise specified in the monitoring report, a written Corrective Action Plan is due to the Area Agency on Aging within 30 calendar days of receipt of the report.

308.6: Follow-Up

The Area Agency on Aging will develop written procedures describing the follow-up action taken to determine that a corrective action plan has addressed issues of non-compliance. The procedure developed will, at a minimum, address the following:

1. Describe the circumstances requiring a follow-up.
2. If follow-up is other than an on-site visit, describe the process and under what circumstances would this occur.
3. Describe the process used to communicate findings back to the community service provider.
4. Time frames for the above activities.

Follow-up visits must occur before the close of the state fiscal year (June 30).